Frontier Corporation

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DOCKET FILE COPY ORIGINAL

July 29, 1998

Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

RE: CC Docket No. 98-81 -- Comments of Frontier Telephone of Rochester, Inc.

Ladies and Gentlemen:

We incorrectly referenced the filing we submitted last week to the FCC on the cover transmittal letter as CC Docket No. 98-56, instead of the above-referenced Docket. Please replace the copy you received last week with this revised one.

We apologize for the error and any inconvenience.

Very truly yours,

Gregg C. Sayre
General Attorney

GCS:hmj
Enclosure
cc: International Transcription Service
Mr. Warren Firschein, Accounting Safeguards Division, CCB

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Frontier Telephone of Rochester, inc.
July 16, 1998

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VIA OVERNIGHT DELIVERY

July 16, 1998

Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

RE: CC Docket No. 98-~~56~~-81

Ladies and Gentlemen:

Enclosed for filing please find an original plus nine (9) copies of the Comments of Frontier Telephone of Rochester, Inc. in the above-docketed proceeding.

To acknowledge receipt, please affix an appropriate notation to the copy of this letter provided herewith for that purpose and return same to the undersigned in the enclosed, self-addressed envelope.

Very truly yours,

Gregg C. Sayre
General Attorney

GCS:hmj
Enclosure
cc: International Transcription Service – Fedx 7/16
Mr. Warren Firschein, Accounting Safeguards Division, CCB – U.S. mail 7/17

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
1998 Biennial Regulatory Review --	)	
Review of Accounting and Cost	)	**CC Docket No. 98-81**
Allocation Requirements	)	
	)	
United States Telephone Association	)	
Petition for Rulemaking	)	

COMMENTS OF FRONTIER TELEPHONE OF ROCHESTER, INC.

Frontier Telephone of Rochester, Inc., on its own behalf and on behalf of its affiliated local exchange carriers (together "FTR"), strongly supports the regulatory relaxations proposed in the Commission's June 17, 1998 Notice of Proposed Rulemaking ("NPRM"). FTR welcomes the Commission's recognition that changes in regulation, particularly to price cap regulation, and increasing competition warrant the reduction of regulatory burdens that are no longer appropriate in the current environment. FTR believes that the regulatory relaxations proposed in the NPRM will save significant costs, and will free time of FTR's employees that can be used in ways that will more directly provide better and lower cost service to FTR's customers.

FTR agrees with the Commission's tentative conclusion (NPRM, paragraph 5) that mid-sized ILECs have lower volumes of affiliate transactions in both numbers and dollar magnitudes. For companies under price cap regulation, such as FTR, the concept of cross-subsidization has little meaning when an incident of alleged cross-subsidization would have no impact on prices, and the allegedly cross-subsidized competitive affiliate has little or no market power. FTR also notes that state regulatory commissions maintain jurisdiction in this area, and that one commission, the New York Public Service Commission, holds FTR to even stricter standards than those of the FCC -- under New York regulation, ILECs are required to use Fully Distributed Costs for pricing services provided to affiliates, regardless of prevailing market prices.

In response to the Commission's question about accounting details needed to use pole attachment formulas (NPRM, paragraph 7), FTR will have available sufficient detail in its subsidiary records to make these calculations. FTR does not believe it is necessary to require carriers to maintain the subsidiary records on a Class A accounting basis. It should be enough to recognize that the carrier has the burden of proof of providing sufficient data to make the necessary calculations, where pole attachment rates are regulated by the Commission rather than by the states.

FTR requests three minor changes to the proposals in the NPRM: (1) a two or three year attest audit and CAM update cycle for the smaller ILECs, based on revenues; (2) the ability of smaller ILECs to adopt new Accounting Standards without a revenue requirement filing when the standard is adopted for the largest ILECs; and (3) revenue or access line thresholds for filing the ARMIS 43-05 service report.

First, FTR urges the Commission to use a three year attest audit and CAM update cycle for Incumbent Local Exchange Carriers ("ILECs") with annual revenues less than $3 Billion, with a two year cycle for ILECs with annual revenues between $3 and $7 Billion. It makes sense to synchronize the filing of updates with the attest audits, and FTR does not believe that the Commission has found problems with smaller ILEC CAMs that require more frequent filings.

Second, FTR suggests that changes to adopt new Accounting Standards into the Uniform System of Accounts ("USOA") for Class B carriers be permitted for all Class B carriers without the requirement of an annual revenue requirement study for each company, whenever the Commission allows the largest ILECs to adopt the new standards based on their annual revenue requirement filings. If a change is reasonable for a large carrier, there should not be an issue with respect to the smaller carriers. FTR would recommend that once the majority of Class A carriers have obtained permission to adopt a new Accounting Standard, that Class B carriers be allowed to follow the new Accounting Standard absent a revenue requirement study. Under this proposal, only when a class B carrier does not want to adopt a new Accounting Standard which has been adopted into USOA, would they be responsible to file the reasons as to why they would not want to adopt it.

Third, FTR suggests that the Commission adopt thresholds for ARMIS Service Reporting (43-05) based on revenues or access lines, much like gross revenues determine which entities must file the ARMIS 43-01 through 43-04 reports. FTR suggests that ILECs with less than $1 Billion in revenues or having less than 1 million access lines, determined on a company-by-company (non-consolidated) basis, would not be required to file the report. FTR believes that these reports by the smaller ILECs are not substantially used, and that the state regulatory commissions already take the lead in regulating these companies' service performance.

In conclusion, FTR welcomes the proposed relaxation of unnecessary and burdensome filing requirements, and urges the Commission to continue to examine ways to further streamline its regulation, including the specific suggestions proposed herein.

Respectfully submitted,

Gregg C. Sayre
General Attorney
Frontier Telephone of Rochester, Inc.
180 South Clinton Avenue
Rochester, New York 14646
(716) 777-7270

July 16, 1998